

Nagel on Finances: Control your emotions. (Or; Thou shalt not covet)

BY ROGER NAGEL
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Near the end of 1996, the NASDAQ peaked for the year at just under 1500. Over the prior 24 months, this exchange had increased around 50%. The dot-com bubble was just starting to grow. The Chairman of the Federal Reserve at the time, Alan Greenspan, warned the investing world that the trading values may not be sustainable.

The market was being driven, not by economic facts, but by the “irrational exuberance” of investors.

Quoted many times since, by many people, in many circumstances, Greenspan’s famous quote is one of my favorites. It keeps me grounded. Disciplined. It reminds me to control my emotions when making investment decisions.

Why is that?

Well, humbly, like most people, sometimes I learn best from my mistakes. I need a reminder of what behavior got me in trouble, so I do not repeat it. Don’t you? This one has paid big dividends since that time.

From December 1996 to the end of 1999, the NASDAQ tripled in value.

Most investors at the time disregarded Greenspan as just another worrisome government hack.

Then the bubble burst.

1998 and 1999 was a great ride. I had genius investment advisors recommending stocks weekly. I joined investment clubs. The social circles of the day talked non-stop about how we were all getting rich. Frankly, it was fun and exciting.

Until it wasn’t.



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When the market began changing, worry set in. Everyone spent inordinate time asking for advice on what to do, watching the TV reports and the Wall Street Journal for good information on which to make decisions. It was all a huge distraction in what had become an abundant life.

The sentiment of the moment was “do not sell.”

And, of course, most of us didn't.

Instead, we rode that coaster all the way to the top of the big hill and back down again. By 2001, the NASDAQ had fallen nearly 70%. Many dot-com companies failed. They were worthless. A 100% loss.

We all know, or should know, that history tends to repeat itself.

Recent stock market volatility has our attention. Now we have smart phones, even devices strapped to our wrists, so we can monitor investing activity at a glance all throughout our waking hours. Talk about distraction.

There's a lot of buzz around inflation, recession, work force instability, and the war in Ukraine. We can now buy or sell investments at home, at work, even in the car during our daily commute.

For the mavericks and rebels, we now have Crypto.

One of the things I value about my career is the ability to learn from my clients. The clients who do well and the clients who make mistakes.

The clients who have done best in accumulating wealth have been very disciplined with a long term horizon. Systematic in decisions and goal oriented in specific time phases like short term and long term goals.

Successful investors manage well, and are less inclined to trade on emotion.

Successful investors are less distracted by volatility. They focus on better priorities like career and family.

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